

Bell Atlantic Already has Significant Statewide Pricing Flexibility in State Jurisdictions for Similar Private Line Services

<u>SERVICE DESCRIPTION</u>	<u>NJ</u>	<u>PA</u>	<u>DE</u>	<u>MD</u>	<u>VA</u>	<u>DC</u>	<u>WVA</u>	<u>NY</u>	<u>ME</u>	<u>RI</u>	<u>MA</u>
High Capacity (1.544 MB & Above)											
Digital Data Service											
Metallic - Local Channels - 1000 Series - Telegraph											
Dedicated Voice Grade – Program Audio											
Frame Relay Service											
Switched 56 Kilobit											
Switched Multimegabit Data Service											
Dedicated Derived Channel 9000 Ser.											
All other											

Shading indicates where pricing and packaging flexibilities and broad customer specific pricing flexibilities for business services are permitted.

Notes: New Hampshire and Vermont are under rate of return regulation. Business services competitive reclassification filed for and pending in Pennsylvania.

Criteria For Switched Access Flexibility

Phase I -- State Wide

- » Negotiated or State approved agreements, statements or Tariffs for:
 - UNEs
 - Discounted resold services
 - Transport and termination of traffic
- » Interim number portability is available
- » 100 UNE loops are in service

Criteria For Switched Access Flexibility

Phase II -- Competitors have demonstrated the capability to provide service to **25%** of the market area

Step 1: Classify WCs as competitive or non-competitive

» Competitive WCs are

- where competitors have collocated facilities **and** have purchased UNEs by class of customer (MLB vs SL); **or**
- where competitors are providing service with UNEs, ported TNs or their own TNs in a WC serving area by class of service

Step 2: Calculate the % of ILEC lines by residence and SL business, or ML business served in competitive WCs to the total ILEC lines by class of service served in the market area

Criteria For Switched Access Flexibility

Phase III

- » Competitors have demonstrated the capability to provide service to **75%** of market area
 - Use same steps as Phase II to determine that criteria are met

Pricing Flexibility Granted Switched Access Markets

Phase I pricing flexibilities

- » primarily concern non-traffic sensitive elements and ML business customers
 - PICCs, SLCs

Phase II pricing flexibilities

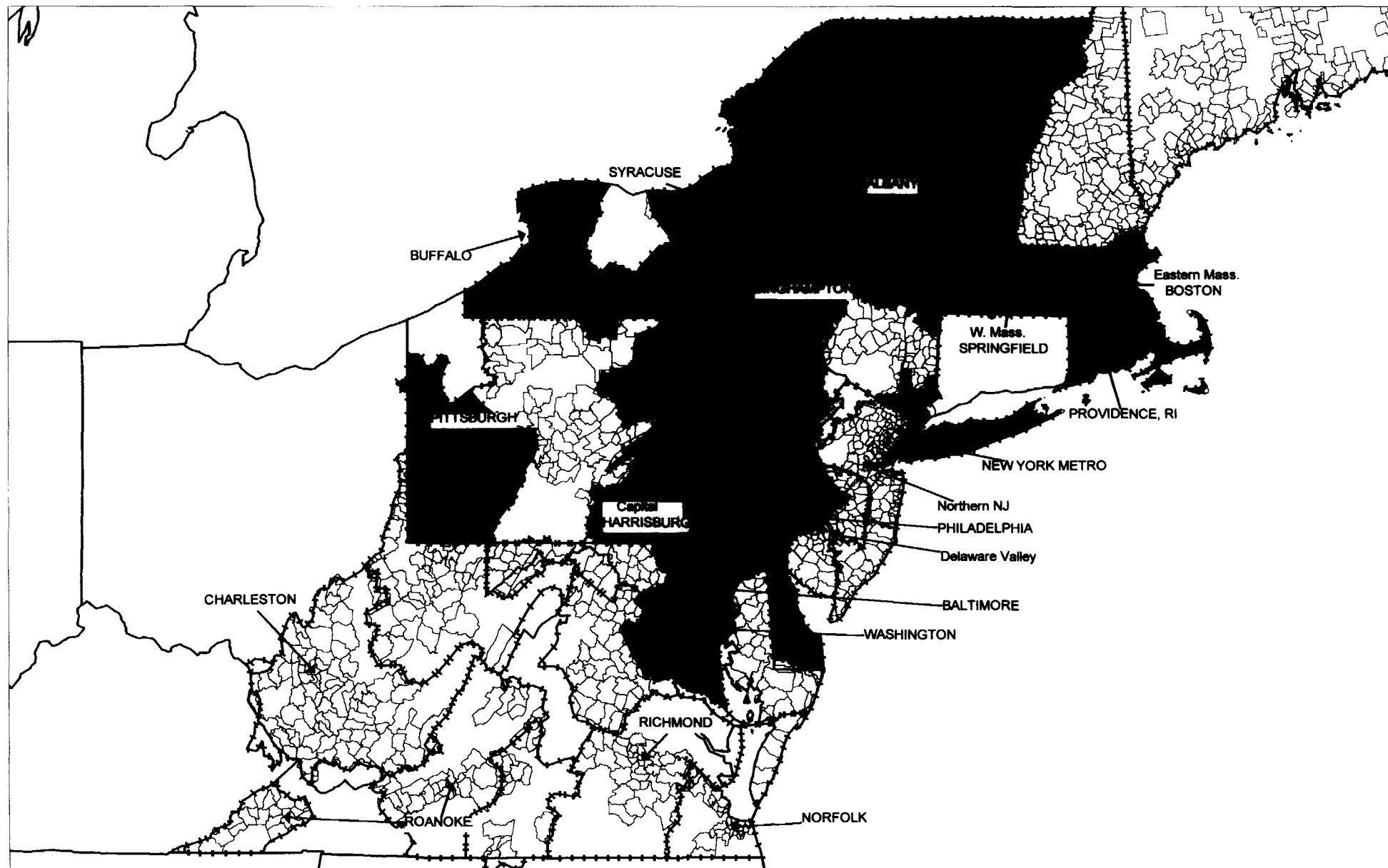
- » provided for traffic sensitive services and single line business and residence customers
 - MOU rates
 - ML business, single line business, residence, etc.
 - **growth** as an additional option with volume, term plans

Pricing Flexibility Granted Switched Access Markets

<u>Services</u>	<u>Phase I*</u>	<u>Phase II</u>	<u>Phase III</u>
ML business	Deaverage ML PICCs by UNE loop zone V&T PICC pricing Deaverage ML SLC by UNE loop zone Deaverage <u>overflow</u> ML Bus O/T MOU by UNE loop zone Promotional offerings	Respond to RFPs Growth option with V&T plans Deaverage LS rate element by LATA	Services removed from Price Cap regulation
SL business and residence	Deaverage PICCs by UNE loop zone and class of customer V&T PICC pricing Promotional offerings	Respond to RFPs Deaverage LS rate element by LATA Deaverage <u>overflow</u> O/T MOU by UNE loop zone & class of customer Deaverage SLCs by UNE loop zone & class of customer	Services removed from Price Cap regulation

* An expedited process should also be adopted to enable the ILECs to respond to the RFPs of end users due to competitive necessity.

Multiline Business



LATA



Wire Center



Phase III

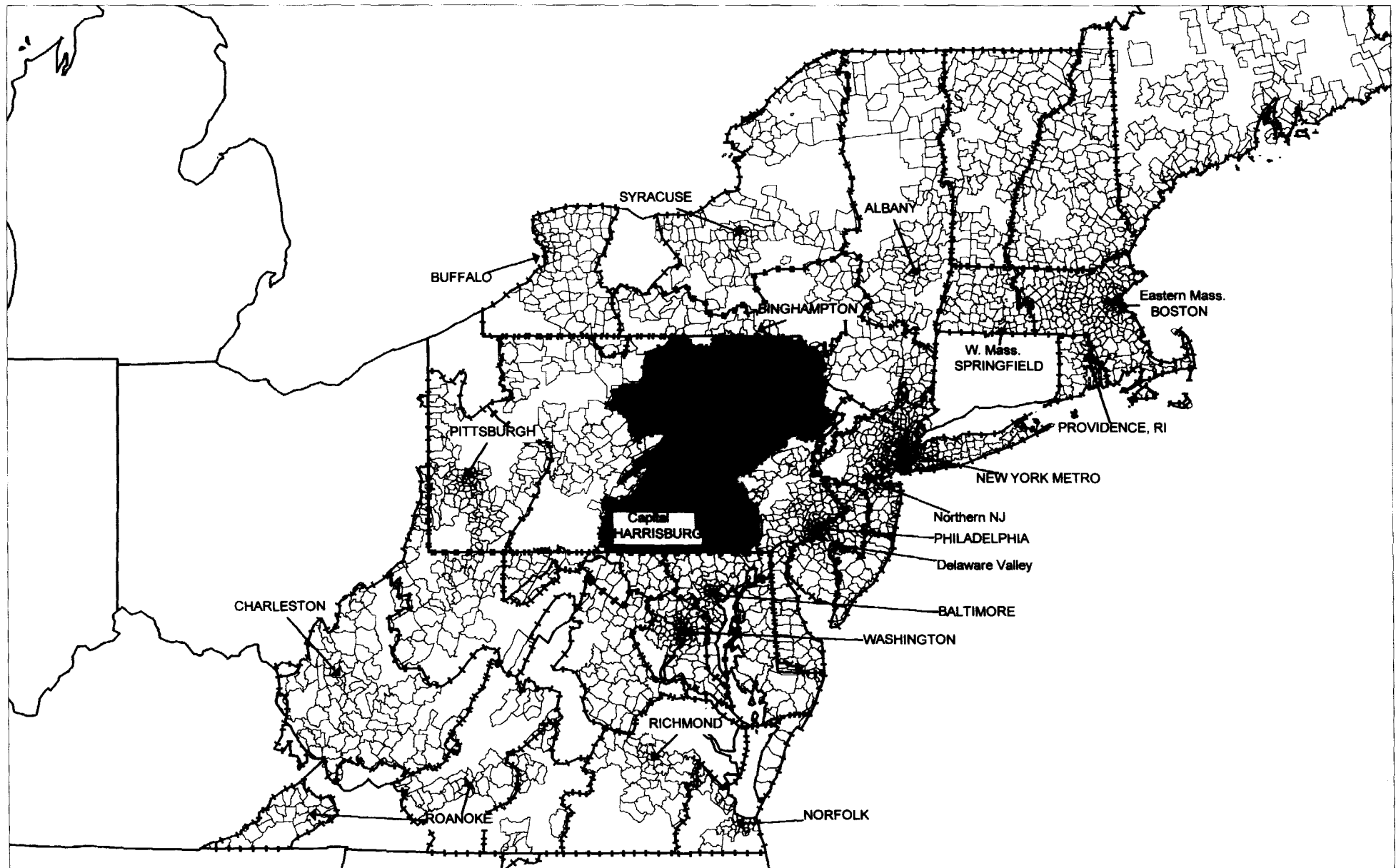


Phase II



Phase I, 0

Residential and Single Line Business



 LATA  Wire Center  Phase III  Phase II  Phase I, 0

Price Cap X-Factor Reductions

- The X-Factor should be an incentive to ILECs to facilitate competition
- **Step I** - when 50% of the ILEC's total interstate access revenues are under Phase I, II or III, then eliminate Consumer Productivity Dividend (CPD)
 - » The CPD is an additional .5% added to the X-Factor above and beyond historical productivity growth
- **Step II** - when 25% or more of the ILEC's total interstate access revenues are in Phases II or III
 - » Corresponding reductions in the X-Factor as competitors offer service to larger percentage of the market (e.g., 35% of revenues in Phase II or III then X reduced by 35%)
 - » As competition grows, ILECs will lose the reliable expectation of economies of scale and productivity growth will slow

Pricing Flexibility Granted Other Services

- New Services:

- » Remove from price cap regulation immediately
 - New services, by definition, provide a competitive alternative to existing services and the prices, terms and conditions for such services will be constrained by market forces
 - Competitors have offered many new services before the ILECs have introduced them into the market

- Corridor Services:

- » Remove from price cap regulation immediately
- » Bell Atlantic competes with IXC's for interLATA transport services
- » Corridor service is limited in geographic scope and as such is an inferior service to the IXC's' long distance service
- » AT&T, the carrier with the largest market presence in the corridors, has characterized these markets as having "the highest degree of competition possible"

Pricing Flexibility Granted Other Services

- Directory Assistance Services:

- » Remove from price cap regulation when there is at least one other directory assistance provider offering service in the market

- Wholesale

- » 60% decrease in demand (95 - 98)
 - » Lost major carriers (ATT & MCI) to competitors
 - » 10 competitors in BA Footprint

- Retail

- » Competing against all major IXC's

- Interexchange Services:

- » Remove from price cap regulation when intraLATA presubscription is available in the market area

The Pricing Flexibility Proposal is Pro-consumer and Pro-competitive

- Built in safeguards protect consumers in high cost areas from unreasonable rate increases and ensures that all consumers benefit from ILEC efficiencies and competition
- Providing ILECs with the flexibility to deaverage rates promotes efficient competitive entry
- The proposal relies on efficient market forces rather than less perfect regulatory constraints to set market based prices

Problems Foreseen if the Commission Does NOT Address ILEC Pricing Flexibility

- Provides continued incentive for inefficient market entry
 - » Creates price umbrella that rewards inefficient competitors and harms consumers
 - » Contradicts the spirit of Telecom Act
- Numerous petition for waivers will be filed
 - (e.g., SBC RFP waiver, BA corridor waiver, BA Boston USPP waiver and more to come)
 - » Time consuming and costly approval process for the Commission, ILECs and Competitors
- Balkanization of pricing flexibility structure